



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

Capital Needs for American Industrial Development

By FRANCIS H. SISSON

Vice-President, Guaranty Trust Company of New York

PROGRESS is the watchword of American industry. The industrial development achieved in this country during the last half-century has been nothing short of miraculous, and this growth, of course, has been accompanied by a general increase in prosperity, for the increase in productive power has stimulated a similar increase in consuming power. Many things that fifty years ago were unheard of—of which the automobile is perhaps the most striking example—are now articles of the widest use. Many luxuries of Civil War days are today in the category of necessities, or almost necessary comforts, among all classes of society. But this wonderful improvement would not have been possible if production had not steadily exceeded consumption. The vast natural resources of this country have been made available because men and women have both worked and saved and because the surplus created by their energy and thrift has made possible productive processes, which have put these resources at the service of mankind.

THE NEED FOR CAPITAL INVESTMENT

Now the world has just emerged from an era of concentrated destructive activity. Men and materials have been destroyed and industrial energies turned from normal sorts of production to the turning out of munitions and other commodities to be shot away or otherwise annihilated. For the better part of two years this country engaged much of its energies

to the same end. Normal productive, constructive industrial enterprise has, therefore, suffered; we are far behind in our savings, in the proper sense of the word. A real deficit in our industrial equipment has been accumulated. With a growing population (and therefore increased consuming power) and greatly expanded foreign demand for our goods (because of the aggravated shortage of savings abroad), our industry finds and will find it difficult to meet demands upon it, if its need for capital cannot be met by a forthcoming supply. Incidentally, the present high price level both appears as a result, in part, of this shortage and necessitates increased investments in terms of dollars, for any development and expansion since everything that must be bought must be paid for at the high prices that obtain.

The Building Industry. No better illustration of the nature of the situation could be given than the building industry. Everywhere a shortage of buildings of various kinds is evident: dwellings, governmental and public buildings, industrial plants, and other sorts of structures. With the concentration of industrial activity on work of all kinds for the government during the greater part of 1917 and 1918, it was necessary to forego a large part of normal building. The deficit, however, must be made up and normal development resumed at the earliest possible moment, if much personal suffering and industrial difficulties are to be avoided.

Building activity reacts, of course,

on various other industries and affects the demand for their products: steel, lumber, brick, cement and housefittings at once suggest themselves. A spurt of building would, therefore, require extension of activities in these allied lines and force them to seek new capital to meet their requirements.

Motor Vehicles. The war was unquestionably destructive in its effects but it did teach or emphasize some valuable economic and industrial truths. One of these was the usefulness and adaptability of motor vehicles. No country is likely to gain more from this than the United States, if full advantage is taken of the opportunity at hand. For 1919 the estimated production of passenger motor cars in this country will be more than 2,300,000, or double that of 1918.

The influence of American participation in the war is once more evident in the great drop in production from 1917 to 1918. The probable doubling in the following twelvemonth, both emphasizes the making up of the deficit of production and increased war-time consumption and points to the greatly increased demand, both domestic and foreign, that has resulted from the lessons brought home by the war. The field for commercial trucks seems destined to grow steadily, and the need for capital to occupy this field will increase proportionately.

Nor must omission be made of the highly important allied line of tractors. Here, above all else, the war provided a stimulus. The almost superhuman feats of "caterpillars" over the battlefields of Europe, on artillery or other tractors or, still more, on tanks, proved beyond all doubt their great adaptability for various uses.

The world-wide shortage on the one hand of man-power and on the other

hand of foodstuffs, has made it imperative to substitute whenever possible in agriculture the marvelous powers of tractors for the more limited powers of men and beasts. In this same connection should be mentioned the inevitable increase of demand that will be felt, in the United States and abroad, for agricultural machinery of all sorts. American products are in demand in all countries where agriculture has passed the primitive stages, and here again the replacement of man-power by efficient machinery is certain to take place as a result of the destruction of war.

A moment's reflection will remind the reader of the number of industries affected by conditions in the automobile industry, the diversity of demand for the products of these industries, created by the production in a single year of well in excess of two billion dollars worth of motor vehicles, and their uses. Here is a demand entirely new both in quantity and quality, differing from that for building materials in so far as the latter is one that has had to be reckoned with in the past. Expansion of production facilities is therefore inevitable to meet this growing demand.

Mineral Oil Production. Closely allied to the remarkable development of motor transportation is that in mineral oil production. The run of crude oil for August, 1919, was 32,362,057 barrels, or at an annual rate of 388,000,000 barrels. During October, 1919, there were 157 oil companies organized, with a total authorized capitalization of \$613,610,000. No small part of this future, to be sure, represented securities issued or to be issued to take over and hold those of already existing companies; nevertheless, the magnitude of the figures is an interesting index of the

present position of the oil industry in the capital market of this country.

The vast prospecting and producing activity in oil is obviously in answer to a highly intensified demand. This demand is due to a number of causes, of which the increased use of motor vehicles is but one, although the most important. A second is the high price of coal, which makes manufacturers seek elsewhere for fuel. A third is the growing substitution of oil for coal as fuel, apart from questions of present high prices and based on general considerations of fuel efficiency. Ships and manufacturing and other plants are being equipped with oil-consuming furnaces in place of coal burners. There seems to be little doubt of steady growth in this important industry of fuel-oil production and of increased capital needs for the development of the industry.

The search for a substitute for coal as a generator of power has not been confined to increased use of petroleum. More and more attention is now being given to the possibilities of the development of the "white coal" resources of the country; in other words, of water power. For a number of years the discussions of the whole problem of conservation has effected legislation in regard to private development of water power and this development has been not a little retarded by the failure to provide for legitimate exploitation of the national resources in this field. With the industrial situation what it now is, living costs high, coal shortage world-wide and industry impatient to use to the full all available means of progress in order to increase production, there is a growing demand for the harnessing and employment of the tens of millions of horsepower that are now annually going to waste.

More liberal legislation in the near future seems not unlikely, which would promptly come into a demand for capital to take advantage of the opportunities thus provided.

New Industries. The war brought into existence or prominence a number of industries that were previously either non-existent or quite in their infancy. There comes to mind at once the *dye industry*. Not only the cutting off of German supplies of dyes and other chemicals concurrently with a demand of great proportions for these products, but the development of certain industries and manufactures whose chief products or by-products are allied to those of the dye industry, brought into being a full-fledged industry in this field. Without going into the possibilities or merits of protection for these new manufactures, it may be said that indications point to a very great probability of permanence for an American dye industry, efficient and self-supporting, which will be able to make legitimate and increasing demands on capital for its continued maintenance and growth. Other "war industries," such as the manufacture of *fibre silk*, chemicals other than dyes, and glass, for instance, have been established and give every promise of permanence in our national industrial scheme.

Production of textiles other than silk, from both animal and vegetable fibres, is constantly increasing in this country, and domestic and foreign demands are increasingly being met by the products of American textile manufacturers. The proportion of American cotton consumed by our own mills has for many years been growing, and further increase is the natural expectation. Inability of European producers to meet demands made on them is furnishing to this American industry as to

others an impetus that should bring about a permanent and not merely a temporary growth.

Industrial Machinery. American machinery, machine tools, and hardware generally, have never before been so sought after in all parts of the world as they are today. The manufacture of such articles is obviously not a war industry, but the conditions that at present obtain are clearly a product of the war and of the inability of the great European industrial nations to meet the usual requirements put upon them by other nations for products of this sort. While this may be considered primarily an aspect of foreign trade, in so far as it reacts on domestic production and needs for capital, it deserves to be mentioned. It has, further, both domestic and foreign aspects. In this age of steel all industrial progress means an intensified demand for steel products. Buildings, automobiles, power plants, mining operations, factory manufacture, railroads,—all these and almost everything else that might be mentioned has as its basis the use of steel. In this country and abroad there is much deferred maintenance to be taken care of, in both industrial plants and railroads.

The Railroads. The railroads, which have been under-maintained during and as a result of the war, must have hundreds of millions of dollars in new capital. It has been estimated, in fact, that these arteries of transportation will require a billion dollars a year for a number of years to purchase needed equipment and to expand their facilities sufficiently to keep pace with the rapid development of the country. And it is absolutely essential that this new capital be made available to the railroads, through the enactment of proper legislation which will enable the

roads to earn a fair return on their invested capital and thereby reestablish railroad credit. Otherwise, business in general throughout the country will inevitably suffer and our national prosperity will be impaired.

American steel plants and machine shops will be called on to supply, both here and elsewhere, tools of production and engines of transportation for the reestablishment of normal conditions. In the same class is the demand for manufactured products of various kinds that results from the era of ship-building and ship operation upon which we have as a nation entered and which gives promise of continuance. The proportions of our foreign trade and its world-wide character afford the highest incentive to domestic operation of shipping lines that has ever been presented to our citizens.

Foreign Trade. Our foreign trade itself deserves mention at this point. There is no question as to the desirability of maintaining an extensive foreign trade, and at the same time there is no question that credit must play a large part in the financing of such trade. Neither banking institutions nor mercantile nor manufacturing concerns can afford to extend necessary credits abroad unless the domestic financial situation is such as to warrant the diversion of funds to this end. And it is clearly not possible for the domestic situation to be all that it should be unless the basis for the extension of all credit, namely, real thrift and saving, is present.

There looms on the horizon, in connection with our foreign trade, the question not merely of current short-term credits for ordinary transactions, but the question of long-term credits to the European nations; in other words, the question of investments in

foreign securities. The commitments of the United States are such, and its interest, both selfish and unselfish, in the welfare of our former Allies is such that it seems inevitable that we should extend to them the financial help which they need in order to return to something like a normal basis of production and a normal balance between production and consumption. This, therefore, affords still another channel for the judicious exercise of thrift and investment power.

There have now been suggested some of the outstanding probable needs for capital for industrial development in the United States. The list is far from exhaustive,—in fact, merely suggestive. There is every indication of increasingly urgent calls for domestic investment in every field of industry. New records are constantly being made in

the issues or authorization of new securities. Business men everywhere are seeing and trying to seize new opportunities for the profitable use of capital. The incentive will be still greater when the passing of present abnormal financial conditions makes possible the removal of some of the government taxes which now weigh heavily on certain types of undertakings.

Savings and investment must be and are the basis of all industrial progress. Without them, progress is impossible, for unless more is produced than is consumed, unless a surplus of production is a normal result of human endeavor, retrogression in the struggle with what has been called the “niggardliness of Nature” is inevitable. Thrift was never more necessary in the world’s history than it is today.